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November 19, 2008

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

RE: PVNGS OUTAGE REPORT
DECISION NO. 69663
DOCKET NO. E-01345A-05-0816, E-01345A-05-0826, E-01345A-05-0827

Dear Sir or Madam:

Pursuant to Decision No. 69663, Page 157, Line 18:

"IT IS FURTHER ORDERED that until a Plan of Administration for the Nuclear Performance Standard is in place, for all planned and unplanned outages at Palo Verde, Arizona Public Service Company shall identify all replacement power costs, as well as the amount of reduced off-system sales and lost opportunity sales margins associated with each outage, and file with Docket Control as a compliance item in this Docket, documentation with the Commission explaining the reasons for the outage and the associated costs, within 60 days of the conclusion of the outage."

Enclosed please find an Outage Report for planned or unplanned outages at the Palo Verde Nuclear Generating Station.

If you should have any questions regarding the information contained herein, please call Mr. Jeff Johnson at 602-250-2661.

Sincerely,

Barbara Klemstine

BAK/dst

Attachments

Cc: Brian Bozzo
Ernest Johnson
Terri Ford

Arizona Corporation Commission
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DOCKET CONTROL

OUTAGE REPORT
PALO VERDE NUCLEAR GENERATING STATION (PVNGS)
PURSUANT TO DECISION NO. 69663

An unplanned outage at PVNGS Unit 3 began on September 16, 2008 when the Unit 3 reactor was manually tripped during troubleshooting efforts to investigate abnormalities with one of the two control element drive mechanism motor generator sets. The two motor generator sets normally operate in parallel to supply the power to grip, move and hold control element assemblies. The cause of the motor generator set problem was determined to be a faulty electrical card that was then replaced. In addition, a damaged main steam hanger was identified and repaired during a containment inspection, and Unit 3 was returned to service on September 20.

Replacement net fuel and purchased power costs incurred as a result of this outage were \$1.9 million. Off-system sales were reduced by 766 MWht, with an associated lost opportunity sales margin of \$17,402.

A subsequent unplanned outage at PVNGS Unit 3 began on September 27 when the control room operators manually shut down the reactor due to high sulfate levels in the secondary side of both steam generators. High sulfate levels require a unit shutdown to protect steam generator tubes. During the outage, a faulty valve was repaired that had been responsible for a small amount of resin being introduced into the system; the resin released sulfates in the steam generators. The secondary chemistry was returned to normal, and Unit 3 was returned to service on September 30.

Replacement net fuel and purchased power costs incurred as a result of this outage were \$1.1 million. There were no reduced off-system sales or lost opportunity sales margins.